

Message Text

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ACTION EB-07

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TAGS: ENRG, IEA, IT

SUBJECT: ITALIAN VIEWS ON MINIMUM SAFEGUARD PRICE

1. DURING JULY 18 CALL BY DCM AND EMBOFF, MINISTRY FOREIGN AFFAIRS (MFA) REP MIGLIUOLO (COORDINATOR, ENERGY AFFAIRS) PROVIDED FURTHER EXPLANATION OF GOI POSITION ON THE MINIMUM SAFEGUARD PRICE (MFP) ISSUE.

2. ACCORDING MIGLIUOLO, BOTH PRIVATE OIL COMPANIES AND STATE-OWNED HYDROCARBONS AGENCY ENI, AS WELL AS MINISTRY OF INDUSTRY, ARE OPPOSED TO MSP CONCEPT. IF, AS MOST "EXPERTS" POSTULATE, OIL PRICES WILL NOT FALL MUCH BELOW PRESENT PRICES, THEN MSP IS UNNECESSARY TO STIMULATE INVESTMENT IN ALTERNATIVE ENERGY SOURCES AND MAY, IN SHORT RUN, PROVOKE CONFRONTATION WITH OIL PRODUCERS. ON OTHER HAND, IF OIL PRICES TAKE SUDDEN DOWNTURN, ITALY SHOULD BE IN POSITION TO TAKE ADVANTAGE OF THIS FACT GIVEN ITS HEAVY DEPENDENCE ON OIL AS AN ENERGY SOURCE AND GREAT CAPITAL EXPENSE OF ONLY FEASIBLE ALTERNATIVE, NUCLEAR GENERATING STATIONS.

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3. MFA VIEW, WHICH HAS PREVAILED WITHIN GOI, IS THAT COOPERATIVE APPROACH THROUGH IEA IS ONLY FEASIBLE ALTERNATIVE. TO "GO IT ALONE" IS FAR TOO RISKY, ESPECIALLY IN VIEW OF ITALIAN VULNERABILITY TO COORDINATED PRODUCER PRESSURES. IN "COOPERATIVE SPIRIT", GOI THEREFORE ENDORSES PRINCIPLE OF MSP.

4. USG SHOULD BE AWARE, CONTINUED MIGLIUOLO, THAT NOT ONLY ITALY HAS SERIOUS PROBLEMS WITH MSP. (HE CITED FRG AND JAPAN AS PRIME EXAMPLES.) BEST STRATEGY WOULD BE TO TRY TO CAPITALIZE ON WHAT HAS ALREADY BEEN ACHIEVED--AGREEMENT IN PRINCIPLE ON MSP--WITHOUT TRYING TOO HARD AT PRESENT TO FORMALIZE IMPLEMENTATION. SINCE ALL IEA PARTICIPANTS ARE CONVINCED THERE WILL BE NO "VERTICAL DROP" IN THE PRICE OF CRUDE PETROLEUM, THERE IS NO NEED TO PUSH AHEAD NOW ON THIS DEVISIVE ISSUE.

5. DCM THEN ASKED MIGLIUOLO TO CONSIDER OTHER SIDE OF THE COIN: MECHANISM FOR IMPLEMENTING MSP SHOULD BE MUCH EASIER TO DEVISE AND INSTALL OF IEA MEMBERS BELIEVE IT WILL NOT BE USED. MIGLIUOLO REPLIED THIS NOT NECESSARILY SO. CITING PARLIAMENTARY PROBLEMS GERMANS AND JAPANESE WOULD FACE IF PRESENTED WITH MSP SCHEME AND REFERRING TO RECENT CALLS AT MFA BY ALGERIAN AND TWO OTHER OPEC MEMBER COUNTRY AMBASSADORS, DURING WHICH THEY STRONGLY CRITICIZED MSP AS IEA WEAPON DESIGNED TO BREAK OPEC.

6. MIGLIUOLO CONCLUDED BY SAYING THAT MOST PRESSING NEED IS TO CONVINCE PRODUCERS (OPEC) THAT MSP IS NOT RPT NOT A WEAPON TO BE USED AGAINST OPEC. IT UNIVERSALLY VIEWED AS SUCH BY OPEC MEMBERS AT PRESENT AND THUS INVITES PRODUCER-CONSUMER CONFRONTATION. IEA MEMBERS MUST MAKE SERIOUS EFFORT "SELL" MSP AS A CONSERVATION MEASURE, SINCE CONSERVATION OF PETROLEUM RESOURCES ALSO OPEC OBJECTIVE. IF THIS CAN BE DONE, CHANCES OF PRODUCER-CONSUMER COOPERATION WOULD BE GREATLY INCREASED, WITH FAVORABLE IMPLICATIONS FOR A WIDE RANGE OF CURRENT DC-LDC ISSUES. VOLPE

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